DATE: October 2010

TO: Auditors of Montana School Districts

FROM: Rebecca Phillips

RE: School District Audits for FY 2009-2010

We would like to inform you of the following issues which may impact the audits of Montana school districts for the fiscal year ended June 30, 2010.

Enclosed:
APPENDIX A   Enrollment/ANB (See Compliance Supplement SD-1 page 15 of 60)
APPENDIX B   Excess Reserve Changes from FY2009 to FY2010 Budgets (See Compliance Supplement SD-1 page 7 of 60)

Compliance Supplement for Audits of Montana Local Governments
Montana school district audits must be conducted in conformity with the Department of Administration *Compliance Supplement for Audits of Montana Local Governments*. The Compliance Supplement can be found at http://doa.mt.gov/lgsb/Forms/AuditReviewProgram/default.mcpx .

Auditor Information Available on the OPI Website
On the OPI website, the School Finance Division includes a page for Auditing information (see http://www.opi.mt.gov/Finance&Grants/SchoolFinance/Index.html#gpm1_4). There is a separate tab for the following sub-topics: *Requirements*, *Audit Process*, *News*, *Information for Schools* and *Information for Auditors*. The *Information for Auditors* tab includes links to school district TFS reports, enrollment reports, value of donated commodities and other resources intended to aid you in your work.

Student Count for ANB –Reporting Procedures
For more than a decade, school districts have used the MAEFAIRS reporting system to report enrollment counts for the first Monday in October and February 1 (or next regularly scheduled school day). In the 2009-2010 school year, enrollment data was imported into MAEFAIRS from the AIM system. MAEFAIRS imported the minimum enrollment information necessary to determine a school district's Average Number Belonging (ANB). AIM was used to collect student enrollment, attendance on official count dates, aggregate hours, and student demographic information. See the letter in Appendix A regarding more information for Enrollment & ANB.

American Recovery & Reinvestment Act (ARRA)

The American Recovery & Reinvestment Act of 2009 was signed into law by President Obama on February 17th, 2009. The overall goals of the ARRA are to stimulate the economy in the short term and invest in education and other essential public services to ensure the long-term economic health of our nation.

Four principles guide the distribution and use of ARRA funds:
- a.   Spend funds quickly to save and create jobs.
- b.   Improve student achievement through school improvement and reform.
- c.   Ensure transparency, reporting and accountability
- d.   Invest one-time ARRA funds thoughtfully to minimize the "funding cliff".

Quarterly reporting is required for transparency and accountability purposes under the ARRA. Quarterly reporting for these new funds began September 30th, 2009.

The Office of Management and Budget (OMB) has posted an addendum to the OMB Circular A-133 Compliance Supplement for the ARRA at
http://www.whitehouse.gov/omb/assets/a133_compliance/arra_addendum_1.pdf

The ARRA provided several new funding sources for school districts. The following is a breakdown of funds available for FY 2010:

        ARRA IDEA Part B*
        ARRA IDEA, Preschool*
        ARRA Title I, Part A*
        ARRA School Improvement 1003g*
        ARRA Title II-D – Competitive*
        ARRA McKinney-Vento Homeless Children & Youth*
        ARRA Title I SchoolWide Program*
        ARRA Impact Aid Discretionary Construction Grant
        ARRA School Nutrition Equipment Assistance Grant
        ARRA National Clean Diesel Grant (included a local match requirement)

*There are no new grant requirements for these federal funds, but with the increase in grant funding you should be familiar with the specific statutory and regulatory requirements for these grants.

Please see the following links for more information and allocation s to school districts;
OPI ARRA website: http://opi.mt.gov/RecoveryAct/
School Finance Division page: http://www.opi.mt.gov/Finance&Grants/SchoolFinance/Index.html

Accounting guidance has been provided for the 2009 Legislative Session and the ARRA at the following link. http://www.opi.mt.gov/pdf/SchoolFinance/ARRA/Guidance_ARRA.pdf. Information pertaining to all new grants dispersed through the Department of Commerce and Department of Public Health and Human Services is included in this guidance. It also includes a chart of the new accounting codes.

Public Health Emergency Preparedness (PHEP) Grant

The PHEP grant was provided to develop emergency ready public schools for and in response to pandemic influenza and other public health emergencies. These funds were distributed by the Department of Public Health and Human Services (DPHHS) for FY2010. School districts in the state of Montana were to expend these funds by June 30, 2010 or revert funds to the DPHHS.

Quick Start Energy Grants

These competitive grants were distributed and administered by the Department of Commerce (DoC). The funds were available for improvements based on an energy audit to achieve energy efficiency and save the school money. The energy audit can be a part of the grant costs. Funds were to be obligated by September 30th, 2009 or reverted to the DoC. Districts that received an energy audit through the DoC should have reported the amount as a Voluntary Non-Exchange Transaction in the Miscellaneous Programs Fund (15) as part of the grant activity.

Department of Education Guidance - State Fiscal Stabilization Fund Program

OPI distributed ARRA State Fiscal Stabilization Funds to school district general funds as part of the direct state aid (DSA) payment. The U.S. Department of Education provides guidance for grantees and auditors for the State Fiscal Stabilization Fund Program which can be found at this website. http://www2.ed.gov/programs/statestabilization/applicant.html

Request for Information – Standard Audit Contract

Please request information on Trustees Financial Summary and budget changes for a district or cooperative you plan to audit by sending written requests to: Donell Rosenthal, drosenthal@mt.gov, OPI, Box 202501, Helena, MT 59620-2501, or fax to (406) 444-0509. This step is required by the standard audit contract. You can list multiple schools on one request. Please list them by county as to help with the turn around of information. Please allow two weeks for a response.

Report Covers

1. Please list the school district common name (e.g. Cottonwood School)
2. If your organization has multiple offices in the state, please identify on the report cover or transmittal letter which office did the audit, including the telephone number, so we know who to contact with questions.

Submission of Audit Reports to the OPI

Montana Code Annotated 2-7-503 requires that a copy of the audit report be submitted to the OPI, regardless of the level of audit performed. Also include the districts audit response in the audit report. Please send a copy of the audit and available response to Rebecca Phillips, P.O. Box 202501, Helena, MT 59620-2501.

If you have any questions please contact me at (406)-444-0783 or rphillips2@mt.gov or Denise Ulberg at (406)-444-1960 or dulberg@mt.gov .

Supplemental Schedule

School District Number 2
County
Montana
SCHEDULE OF ENROLLMENT
For the Year Ended June 30, 2010

Fall Enrollment

Elementary District	Fall Per Enrollment **Reports**	Audit Per **District Records**	**Difference**
(a) Pre-Kindergarten	14	14	0
(b) Kindergarten Full	111	111	0
(c) Kindergarten Part	309	309	0
(d) Grades 1-6	2,280	2,281	+1
(e) Grades 7-8	786	784	-2
(f) Total Elementary (add lines **a thru e**)	3,500	3499	-1

Part-time students:

Grade	Per Enrollment Reports <180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Audit Per District Records <180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
K- Full	0	0	0	0	0	0	0	0	0
K-Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	0	1	0	0	0	1	0
7-8	1	2	0	0	1	2	0	0	0

Fall Enrollment

High School District	Fall Per Enrollment **Reports**	Audit Per **District Records**	**Difference**
(g) Grades 9-12	1,193	1,194	+1
(h) 19 Year-olds included on line (f)	4	4	0
(i) Job Corps students included on line (f)	0	0	0

Part-time students:

Grade	Per Enrollment Reports <180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Audit Per District Records <180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9-12	3	7	6	12	3	7	6	12	0

Spring Enrollment

Elementary District	Spring Per Enrollment **Reports**	Audit Per **District Records**	**Difference**
(j) Pre-Kindergarten	21	21	0
(k) Kindergarten Full	114	114	0
(l) Kindergarten Part	305	305	0
(m) Grades 1-6	2,293	2,293	0
(n) Grades 7-8	788	788	0
(o) Total Elementary (add lines i thru l)	3,521	3,521	0

Part-time students:

Grade	Per Enrollment Reports <180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Audit Per District Records <180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
K- Full	0	0	0	0	0	0	0	0	0
K- Part	0	0	N/A	N/A	0	0	N/A	N/A	0
1-6	0	0	1	1	0	0	1	1	0
7-8	3	1	1	0	3	1	1	0	0

High School District	Spring Per Enrollment **Reports**	Audit Per **District Records**	**Difference**
(p) Grades 9-12	1,865	1,865	0
(q) 19 Year-olds included on line n	4	5	+1
(r) Early Graduates (not included in n)	45	45	0
(s) Job Corps students included on line n	0	0	0

Part-time students:

Grade	Per Enrollment Reports <180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Audit Per District Records <180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	Difference
9-12	5	5	7	6	5	5	7	6	0

The Montana Office of Public Instruction provides vision, advocacy, support, and leadership for schools and communities to ensure that all students meet today's challenges and tomorrow's opportunities.

October 2009

TO: **School District Officials**

FROM: **Nica Merala, Enrollment Specialist**

RE: **October 2009 Enrollment Reporting to the Office of Public Instruction**

This memo is notice of important enrollment reporting and ANB issues. This document may be used for reference when conducting student counts on Monday, October 5, 2009.

AIM and MAEFAIRS

For more than a decade, school districts have used the MAEFAIRS reporting system to report enrollment counts for the first Monday in October and February 1. In the 2009-2010 school year, student enrollment data will be imported into MAEFAIRS from the AIM system. AIM will be used to collect student enrollment, attendance on official count dates, aggregate hours, and student demographic information. MAEFAIRS will import the minimum enrollment information necessary to determine a school district's Average Number Belonging (ANB) for the FY2010-11 budget year.

MAEFAIRS Enrollment System
MAEFAIRS captures a grade-by-grade enrollment count, part-time enrollment data, full time and half time kindergarten,and other special high school enrollment data (19-year-old enrollment, Job Corps enrollment, Montana Youth ChalleNGe Academy and early graduates).

Part-time Students
Part-time enrollment data is collected by OPI for the purpose of adjusting a district's ANB for students that do not attend full-time. The board of trustees of each district may set policy allowing less than full-time enrollment at the elementary or high school level. State law allows, but does not require, a school board to admit students less than full-time. Aggregate hours in AIM determine if a student is enrolled full or part-time. Students are assigned a level of aggregate hours that reflects their actual participation in an educational program on the count date.

Enrollment in an education program is defined as:
    180 to 359 aggregate hours equals one-quarter time enrollment (Q in AIM)
    360 to 539 aggregate hours equals one-half time enrollment (H in AIM)
    540 to 719 aggregate hours equals three-quarters time enrollment (T in AIM)
    720 aggregate hours or more equals full-time enrollment (F in AIM)

Enrollment in a program for fewer than 180 aggregate hours of pupil instruction per school year (N in AIM) may not be included for ANB purposes. A student who is enrolled concurrently in more than one school or school district may not be counted as more than one full-time student for ANB purposes. Kindergarten students enrolled in a half time program that provides 360 or more aggregate hours of pupil instruction per school year must be counted as one-half pupil for ANB purposes.

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Enrollment in a self-paced program or course may be converted to an hourly equivalent based on the hours necessary and appropriate to provide the course within a regular classroom schedule.

In order for a student who is served through distance learning or offsite delivery methods to be included in the calculation of average number belonging, the pupil must either:
1) meet the residency requirements for that district as provided in 1-1-215, MCA;
2) live in the district and be eligible for educational services under the Individuals with Disabilities Education Act or under 29 U.S.C. 794; or
3) attend school in the district under a mandatory attendance agreement as provided in 20-5-321, MCA.

Annual Aggregate Hours of Instruction are the hours of pupil instruction for which a school course or program is offered or for which a pupil is enrolled as defined by 20-1-301, MCA. This designation determines a student's status as full or part-time enrolled. To be included in the MAEFAIRS enrollment count, students must:
- Be enrolled on the count date
- Have aggregate hours marked (F,T,H, or Q) in AIM
- Have a service type of P or S for grades K-12 in AIM
- Have a service type of N for grade PK in AIM

Pupil instruction does not include lunchtime or unstructured recess.

The following chart summarizes reporting requirements for all students:

Grade and Annual Hours (of one pupil)	Imported into MAEFAIRS	Also Imported into MAEFAIRS as a Part-time Student?	Does the District Receive ANB for the pupil?
Pre-Kindergarten (receiving special education services)	Yes	Yes	Yes if more than 179 hrs
Kindergarten Half time program (0 – 179 hours)	Yes	Yes	No
Kindergarten Half time program (180-359 hours)	Yes	Yes	Yes (1/4)
Kindergarten Half time program (360+ hours)	Yes	No	Yes (1/2)
Grades *FTK-12 (0 – 179 hours)	Yes	Yes	No
Grades FTK-12 (180 – 359 hours)	Yes	Yes	Yes (1/4)
Grades FTK-12 (360 - 539 hours)	Yes	Yes	Yes (1/2)
Grades FTK-12 (540-719 hours)	Yes	Yes	Yes (3/4)
Grades FTK-12 (720+ hours)	Yes	No	Yes (full)
19-year-olds (any grade / any hours)	Yes	No	No

* (FTK = Full time Kindergarten)

Part-time – Is it hours or periods?

Look at hours, NOT PERIODS, to determine part-time or full-time enrollment status. If a student attends only one 12th-grade class per day and that period is 45 minutes, then the student is an enrolled 12th grader, but also report him/her under the "Part-Time" Section as enrolled "less than 180 hrs/yr" (N in AIM). The district would **not** receive any portion of ANB for this student.

A 12th-grader attending two 50-minute periods with a 4-minute passing time still does not achieve full-time status, but would provide the district with one-quarter ANB. This student would be reported as an enrolled 12th-grader, but also as a "part-time" student under the category "180-359 hrs/yr" (Q in AIM). Districts should set part-time enrollment policies with hours of *pupil instruction time* in mind.

Part-time Student Example

Assume that Bobby Q. Public is enrolled as a 5th grader in your district and he attends school pursuant to the following schedule:

Semester	Days	Hours per Day	Total Hours	Annualize Hours
First	90	5 hours / day	450	900
Second	90	3 hours / day	270	540
Total	180		720	

How is Bobby's enrollment reported to OPI? Answer: First semester (Fall count) Bobby is reported as full-time enrolled because the annualized hours for his program on that count date would be 900. Second semester (Spring count) Bobby is reported as part-time enrolled, 3/4 time, because the annualized hours would be 540 for this program.

Even though the example shows that Bobby's annual hours of instruction would total 720, he is still part-time for the second semester. Look at how many annualized hours of instruction would be provided for the program the student is following on the current count date, independent from the hours accumulated under a program he/she followed on another count date.

Attendance

No attendance data is collected in MAEFAIRS.

In general, absence of an enrolled student on the count date does not affect the enrolled status of the student. An exception is made if the count date is the 11th or more consecutive absence; in those cases, you <u>may not include</u> the student in your count to OPI. This applies to excused and unexcused absences [see 20-9-311(6), MCA and A.R.M. 10.20.102]. These students should have the Exclude ANB box checked and the Absent count set to 1.000 in the Attendance and Enrollment section of the student's AIM enrollment record. Flexible scheduling that causes a class not to meet on the count date <u>does not affect enrollment or ANB</u>. Remember, the student's *enrollment status* on the count date affects ANB*, not attendance.* If a Pre-K or Kindergarten program does not conduct class on the count date, or if a flex-scheduled high school student is not enrolled in any programs or classes that meet on the official count date, then these students are not reported absent unless they do not attend on the next day of pupil instruction.

Kindergarten and Pre-Kindergarten (Pre-School)

To be eligible for ANB, a Kindergarten student that had not reached age 5 years on or before September 10 of the current school year requires admittance through special permission of the board of trustees.

A kindergarten student enrolled in a half-time program that provides 360 or more aggregate hours of pupil instruction per school year is enrolled in grade KH in AIM and are counted as one-half pupil for ANB purposes. In order for a kindergarten student to be considered full time, the student must be enrolled in a full-time kindergarten program and receive at least 720 aggregate hours of instruction (enrolled in grade KF in AIM).

A Kindergarten-age pupil (age 5 years on or before Sept. 10) that is receiving services in the Pre-K (Pre-School) program should be enrolled in AIM with a service type of N: Special Ed Services only. The Special Ed Status box must be marked Y: Yes. The student must have an Individualized Education Program (IEP) that requires the 5-year old to receive instruction and services in a pre-school setting.

19-year-old students (and older)

A district should count as enrolled any student that reaches age 19 years on or before September 10 of the current school year. A 19-year-old student should be counted along with all other enrolled students for the grade to which the student is assigned. Additionally, the 19-year-old will be imported into the "Other Enrollment" section of the MAEFAIRS enrollment forms. This applies to 19-year-old Special-Ed students as well. Districts do not receive ANB for 19-year-olds. Nineteen year-olds will not appear in the "Part-Time" section of the MAEFAIRS enrollment forms, even if they are following a part-time schedule.

Alternative High School Programs

In order to be included in the enrollment count for ANB purposes, pupils in a district's alternative high school program must be receiving organized instruction from certified staff and the program must be part of an accredited school of the district. Further, pupils must meet the definition of "enrolled student" in A.R.M. 10.15.101(24):

> *"Enrolled student" means a high school student assigned to receive organized instruction in an education program described in ARM 10.55.904 that is offered by a public school and can be applied towards the graduation requirements of ARM 10.55.905, or an elementary student assigned to receive organized instruction in an education program described in ARM 10.55.901 through 10.55.903, or an elementary or high school student in a course of instruction agreed to in an individualized education program.*

Note that the definition requires that the education program can be applied towards graduation requirements, so a pupil in an alternative program must be receiving credit towards graduation in order to be counted as enrolled for ANB purposes.

Adult Basic Ed (ABE)

Students receiving services in ABE programs cannot be enrolled in high school and cannot be included in enrollment counts used for ANB purposes. An enrolled high school student cannot be included in ABE counts. Further, the enrolled high school student cannot be served using Federal ABE funds. Separate record keeping of program costs relating to the ABE students and regularly enrolled high school students is required, so services must not be commingled.

"10-Day Rule"

A district may count an <u>enrolled student</u> who is absent on the official count date, but only if the count-date-absence is less than the 11th consecutive absence (excused or unexcused) and the student is still enrolled in the district. (See A.R.M. 10.20.102)

The commonly-called "10-day-rule" should not be used as a grace period to keep a student in enrolled status if the student has left the district. For example, do not use the "10-day-rule" to count a student when – within 10 days of the count date – the student:

    (a) has enrolled in another district,
    (b) has discontinued attendance pursuant to verbal or written notice given to the district,
    (c) is otherwise unable to continue in attendance due to death, detention, etc.
    (d) has had his/her records transferred to another school.

The "10-day-rule" should be applied only for the purposes of the official enrollment count dates (i.e., to determine which students can be counted in the enrollment for calculating ANB). OPI is not aware of any law, rule, or regulation that requires a district to routinely un-enroll or "drop" a student when the student reaches his/her 11th consecutive absence. Again, apply the "10-day-rule" only for the purposes of determining which students can be included in the count.

ARM 10.20.102(10), provides an exception to the 10-day-rule. Extenuating circumstances for students who do not meet the criteria for inclusion in the ANB enrollment count but would support a variance should be submitted to the Superintendent of Public Instruction by a responsible school official ***prior*** to the official enrollment count date for consideration of inclusion of the student in the enrollment count for ANB purposes beyond the 10th day of absence.

Montana Job Corps /MT Youth ChalleNGe Academy Students

Under certain circumstances, a district may include Job Corps/MT Youth ChalleNGe Academy students in its ANB enrollment count. The district must enter into an interlocal cooperative agreement with a Montana Job Corps/MT Youth ChalleNGe Program accredited by the Northwest Association of Accredited Schools, and all of the following requirements must be met:

Requirements for ANB-eligibility of Job Corps/MT Youth ChalleNGe Program Students:

- The student must be enrolled in a public school in the student's district of residence.
- Credits taken at the Job Corps/MT Youth ChalleNGe Program require approval by the resident school district.
- Credits meet the resident district's requirements for graduation at a school in the district.
- Credits must be taught by an instructor who has a current and appropriate Montana high school certification.
- Credits must be reported by the Job Corps/MT Youth ChalleNGe Program to the student's resident school district.

For more information on Job Corps and MT Youth ChalleNGe Academy and ANB, see Section 20-9-707 and 20-9-311(12), MCA.

Additional Enrollment Topics:
OPI's "***Enrollment Instructions***" manual is available at the internet location below.

http://www.opi.mt.gov/pdf/SchoolFinance/Enrollment/EnrollmentInstructions.pdf

Questions about the MAEFAIRS enrollment reporting system can be directed to Nica Merala at 444-4401 (nmerala@mt.gov) or Janelle Mickelson at 444-3249 (jmickelson@mt.gov).

cc: County Superintendents
         Eric Feaver (MEA-MFT)
         Darrell Rud (SAM)
         Lance Melton (MSBA)
         Lynda Brannon (MASBO)
         Auditors

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to ensure that all students meet today's challenges and tomorrow's opportunities.*

Excess Reserves Changes from FY2009 to FY2010:

Please see individual Montana school district Budget Report page 3 for Excess Reserves information. The Budget reports are posted on the OPI website at: http://www.opi.mt.gov/Finance&Grants/schoolfinance/Index.html#gpm1_5 (Click on the Budgets and Data Sheets tab, then click on the Budgets link.)